

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
November 13, 2013**

Project Number CA-13-888

Project Name Bayview Senior Housing
Site Address: 1751 Carroll Avenue
San Francisco, CA 94124 County: San Francisco
Census Tract: 233.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,906,757	\$0
Recommended:	\$1,906,757	\$0

Applicant Information

Applicant: Carroll Avenue Senior Homes, L.P.
Contact: Yusef Freeman
Address: 720 Olive Street, Suite 2500
St. Louis, MO 63101
Phone: (415) 935-0182
Email: yusef.freeman@mcormackbaron.com

General Partner(s) or Principal Owner(s): Carroll Avenue Senior Homes MBS GP, Inc.
Bayview Hunters Point Multipurpose Senior Services, Inc.
General Partner Type: Joint Venture
Parent Company(ies): MBA Properties, Inc. (McCormack Baron Salazar)
Bayview Hunters Point Multipurpose Senior Services, Inc.
Developer: Bayview Supportive Housing, LLC
Investor/Consultant: Wells Fargo
Management Agent: McCormack Baron Ragan

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 121
No. & % of Tax Credit Units: 120 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 67
Number of Units @ or below 50% of area median income: 53

Bond Information

Issuer: City & County of San Francisco
 Expected Date of Issuance: December 17, 2013
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: San Francisco County
 TCAC Project Analyst: Gina Ferguson

Unit Mix

117 1-Bedroom Units
 4 2-Bedroom Units

 121 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
67 1 Bedroom	30%	30%	\$593
50 1 Bedroom	50%	50%	\$989
3 2 Bedrooms	50%	48%	\$1,139
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$60,297,331
 Estimated Residential Project Cost: \$56,700,148
 Estimated Commercial Project Cost \$3,597,183

Residential

Construction Cost Per Square Foot: \$358
 Per Unit Cost: \$468,596

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Tax Exempt Bonds - Citibank	\$28,500,000	Permanent Loan - Citibank	\$8,550,000
City of San Francisco	\$16,659,335	City of San Francisco	\$19,111,224
HCD IIG (via City of San Francisco)	\$5,094,996	HCD IIG (via City of San Francisco)	\$5,661,107
City of San Francisco (ground lease value)	\$5,810,000	City of San Francisco (ground lease value)	\$5,810,000
Tax Credit Equity	\$4,233,000	Tax Credit Equity	\$21,165,000
		TOTAL	\$60,297,331

Determination of Credit Amount(s)

Requested Eligible Basis: \$45,840,255
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$59,592,332
 Applicable Rate: 3.20%
 Total Maximum Annual Federal Credit: \$1,906,757
 Approved Developer Fee (in Project Cost & Eligible Basis): \$2,000,000
 Investor/Consultant: Wells Fargo
 Federal Tax Credit Factor: \$1.11000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$45,840,255
Actual Eligible Basis:	\$45,840,255
Unadjusted Threshold Basis Limit:	\$42,255,518
Total Adjusted Threshold Basis Limit:	\$124,187,731

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Environmental Mitigation
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 44%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 110%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.20% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: None

Local Reviewing Agency:

The Local Reviewing Agency, San Francisco Mayor's Office of Housing, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,906,757	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under any one of the following programs: Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes GOLD standard.